

Message Text

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44

ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 L-02 TRSE-00 AID-05 CIEP-01

OMB-01 XMB-02 CIAE-00 INR-07 NSAE-00 /042 W

----- 012212

R 220812Z MAY 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 212

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

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E.O. 11652: N/A

TAGS: EINV, PK

SUBJ: OPIC INSURANCE: AMERICAN EXPRESS INTERNATIONAL BANKING
CORPORATION 391-72-033

REF: A) STATE 112567; B); KARACHI 930 (NOTAL)

1. AT EMBASSY'S REQUEST, CONGEN KARACHI TOOK ACTION ON
REFTEL A. ITS REPORT FOLLOWS.

2. BEGIN TEXT. DISPUTE OVER RESERVE REQUIREMENTS FOR
NON-PAKISTAN-DOMICILED BANKS (PARA 3, REFTEL A) TURNED OUT
LARGELY AS PREDICTED IN KARACHI MEMCON OF SEPTEMBER 12, 1974.
FOREIGN BANKS HERE WERE UNABLE TO VOID GAZETTE OF PAKISTAN
RULING DATED APRIL 4, 1974, WHICH RESCINDED EXCEPTION
PREVIOUSLY ACCORDED FOREIGN BANKS ALLOWING THEM TO
MAINTAIN RESERVES AT APPROVED INSTITUTIONS OVERSEAS.
FOREIGN BANKS HERE ALSO UNABLE TO PURSUE SCHEME OF BUYING
DOLLAR DEBENTURES ISSUED ON LOCAL MARKET TO AVOID "CROSS
COUNTRY RISK" SINCE NO SUCH DEBENTURES WERE EVER ISSUED
BY NATIONAL DEVELOPMENT FINANCE CORP. OR ANY OTHER
ORGANIZATION HERE. UNDER AGREEMENT HKREACHED BETWEEN STATE BANK
AND U.S. BANK BRANCHES, LATTER WILL, IN ORDER BUILD UP
RESERVE TO REQUIRED LEVEL, RETAIN EARNINGS HERE ANNUALLY
EQUAL TO 25 PERCENT OF THE TOTAL RESERVE REQUIREMENT
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(WHICH AMOUNTS TO FIVE PERCENT OF THE RESPECTIVE BANKS'

TOTAL TIME AND DEMAND DEPOSITS). SINCE FNCB MADE NO PROFITS
LAST YEAR, IT BROUGHT IN 25 PERCENT OF RESERVE REQUIREMENTS.

3. WHILE BOTH AMERICAN EXPRESS AND BANK OF AMERICA HERE DO
NOT GO SO FAR AS TO STATE THAT APPLICATION BY EMBASSY FOR
"NO OBJECTION" LETTER FOR INSURANCE ON NEW LOCAL RESERVES
WOULD "REOPEN RESERVE REQUIREMENT ISSU," THEY DO PROFESS
SOME FEAR THAT SUCH APPLICATION FOR GOP APPROVAL OF EXPRO-
PRIATION AND OTHER INSURANCE WOULD ADVERSELY AFFECT THEIR GENERAL
RELATIONS WITH THE STATE BANK AND THEREBY POSSIBLY PREJUDICE ANY
CHANCES THEY MIGHT HAVE FOR OBTAINING EVENTUAL APPROVAL FOR
THE NEW BRANCHES WHICH THEY WISH TO OPEN. THEY REALIZE,
HOWEVER, THAT "NO OBJECTION" LETTER FROM SOME ENTITY OF GOP
IS SINE QUA NON FOR OPIC ISSUANCE OF INSURANCE. DOLLING
RETURN TO KARACHI OF SHAFIQ AHMED OF BANK OF AMERICA
EVENING MAY 20, AMEX AND BANK OF AMERICA ARE NOW IN
MUTUAL CONSULTATION CONCERNING PROBLEM AND WILL LET US
KNOW WHAT THEY HAVE DECIDED SHORTLY. IN THE MEANTIME,
THEY REQUEST THAT US MISSION REFRAIN FROM ANY CONTACT
WITH GOP CONCERNING THIS QUESTION.

4. FNCB, HOWEVER, TAKES DIFFERENT POSITION ALTOGETHER.
THEY HAVE NOT YET AND DO NOT INTEND THIS YEAR TO SEEK
OPIC INSURANCE ON THE TRANCHE OF CAPITAL THEY HAVE IMPORTED
THIS YEAR. THEY DO NOT BELIEVE, HOWEVER, THAT ANY INSURANCE
APPLICATION THEY MIGHT MAKE NEXT YEAR AND THE "NO OBJECTION"
LETTER THEREBY REQUIRED WOULD PREJUDICE THEIR POSITION WITH
GOP.

5. KARACHI COMMENT: ALTHOUGH WE HAVE NOTHING
CONCRETE ON WHICH TO BASE OUR OPINION, WE THINK THE FEARS
OF AMEX AND BANK OF AMERICA MAY BE SOMEWHAT EXAGGERATED.
END TEXT.
BYROADE

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Message Attributes

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Draft Date: 22 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
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Disposition Reason:
Disposition Remarks:
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TAGS: EINV, PK, OPIC, AMERICAN EXPRESS INT BANKING CORP
To: STATE
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